

## Message Text

SECRET

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 EB-03 TRSE-00 OMB-01 INR-05 NSC-05  
NSCE-00 CIAE-00 EA-06 L-01 PRS-01 SP-02 /047 W  
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R 041325Z MAR 77  
FM AMEMBASSY LISBON  
TO SECSTATE WASHDC 0415  
INFO AMEMBASSY BONN  
AMEMBASSY BERN  
AMEMBASSY BRUSSELS  
USMISSION EC BRUSSELS  
AMEMBASSY CARACAS  
AMEMBASSY THE HAGUE  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
USMISSION OECD PARIS  
AMEMBASSY OTTAWA  
AMEMBASSY OSLO  
AMEMBASSY ROME  
AMEMBASSY STOCKHOLM  
AMEMBASSY TOKYO  
AMEMBASSY VIENNA

S E C R E T LISBON 1726

LIMDIS

E.O. 11652: GDS  
TAGS: ECON, EFIN, PO, EAID  
SUBJ: ECONOMIC ASSISTANCE FOR PORTUGAL

REF: LISBON 1639 (NOTAL)

1. ECON COUNSELOR MET WITH BANK OF PORTUGAL VICE GOVERNOR  
VITOR CONSTANCIO MARCH 3 TO DISCUSS PROPOSED MULTILATERAL  
CONSORTIUM LOAN FOR PORTUGAL. CONSTANCIO REPORTED THAT  
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HIS TRIP TO BONN HAD BEEN DISAPPOINTING. HE MET FIRST  
WITH DR. POEHL OF GERMANY FINANCE MINISTRY. DR. POEHL  
EMPAHSIZED THAT GERMAN PARTICIPATION IN CONSORTIUM  
WOULD REQUIRE POLITICAL DECISION, IMPLYING THAT SUCH  
DECISION MUST COME FROM PRIME MINISTER SCHMIDT. PORTU-  
GUESE PRIME MINISTER MARIO SOARES TELEPHONED SCHMIDT  
IN ATTEMPT TO ARRANGE A MEETING BETWEEN SCHMIDT AND

CONSTANCIO (REFTEL). BECAUSE GERMAN COUNCIL OF MINISTERS WAS THAT DAY REVIEWING ITS PENDING BUDGETARY SUBMISSION, SCHMIDT WAS UNABLE TO MEET WITH CONSTANCIO. INSTEAD, THEREFORE, CONSTANCIO MET WITH ONE OF SCHMIDT'S ASSISTANTS. THIS CONVERSATION WAS ALSO INCONCLUSIVE.

2. PRIOR TO VISITING GERMANY CONSTANCIO TRAVELED TO LONDON ON FEB 24 TO MEET WITH IMF MANAGING DIRECTOR H. JOHANNES WITTEVEEN. CONSTANCIO BRIEFED WITTEVEEN ON PORTUGUESE ECONOMIC MEASURES THAT WERE TO BE ANNOUNCED THE FOLLOWING DAY. ON THE BASIS OF THAT INFORMATION, WITTEVEEN STATED THAT GOP SHOULD BE ABLE TO COMPLETE FIRST TRANCHE STANDBY AGREEMENT IMMEDIATELY. SECOND TRANCHE AGREEMENT, HOWEVER, PROBABLY COULD NOT BE CONCLUDED UNTIL SEPTEMBER. BY THEN, HE REPORTEDLY SAID, HE HOPED PORTUGAL WOULD BE ABLE TO MAKE SOME ADDITIONAL POLICY ADJUSTMENTS, E.G. REMOVAL OF RECENTLY IMPOSED IMPORT QUOTAS.

3. ECON COUNSELOR STRESSED THAT ESTABLISHMENT OF CONSORTIUM SHOULD NOT BE VIEWED AS A PREDOMINANTLY OR EXCLUSIVELY U.S. EFFORT. INSTEAD, GOP MUST BE PREPARED TO LAUNCH A COORDINATED, AGGRESSIVE EFFORT IN SUPPORT OF THE CONSORTIUM. IT WAS AGREED THAT GOP SHOULD IMMEDIATELY BEGIN, OR TO REITERATE ITS APPROACHES TO, JAPAN, GERMANY, FRANCE, GREAT BRITAIN, AUSTRIA, SWITZERLAND, BELGIUM, NORWAY, SWEDEN, CANADA AND VENEZUELA. CONSTANCIO STATED THAT SOARES WOULD PARTICULARLY CONCENTRATE ON CONVINCING SCHMIDT DURING THEIR MEETINGS

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IN BONN NEXT WEEK. IT WAS ALSO AGREED THAT A PROMPT AGREEMENT IN PRINCIPLE TO PARTICIPATE FROM VENEZUELA OR NORWAY COULD HAVE SIGNIFICANT PSYCHOLOGICAL IMPACT ON OTHER POTENTIAL PARTICIPANTS. CONSTANCIO REPEATED PRIME MINISTER SOARES' EARLIER STATEMENT, HOWEVER, THAT GOP DOES NOT WISH TO INVOLVE THE ARAB COUNTRIES IN THE CONSORTIUM.

4. COMMENT: CONSTANCIO CLEARLY SEEMS TO HAVE BEEN GIVEN PRINCIPAL RESPONSIBILITY IN GOP TO COORDINATE PORTUGAL'S EFFORTS, BOTH TO GAIN MEMBERSHIP IN THE EC, AS WELL AS TO PROMOTE FORMATION OF THE CONSORTIUM. HIS DISCUSSIONS, AND PARTICULARLY HIS VISIT TO BONN, HAVE SENSITIZED HIM TO POTENTIAL PROBLEMS IN FORMING THE CONSORTIUM. HE FULLY REALIZES THAT SOARES MUST CONVINCE SCHMIDT TO PROMOTE GERMAN PARTICIPATION IN THE LOAN. HE ALSO UNDERSTANDS THAT PORTUGAL MUST ADOPT A MORE AGGRESSIVE, SUPPORTIVE ROLE FOR THE CONSORTIUM.

CARLUCCI

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
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**Type:** TE  
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